

**LIBRARY OF CONGRESS TRUST FUND BOARD
ANNUAL REPORT
FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 1999**

INTRODUCTION

The Library of Congress Trust Fund Board, established in 1925, accepts gifts (other than gifts for immediate disbursement) and oversees the investment of those gifts (trust funds) for the benefit of the Library's collections and services. The Board establishes investment policy, and the Library of Congress implements procedures to carry out that policy. The Board's investment policy necessarily varies depending upon the terms of the individual trust funds and the restrictions on principal and earnings.

Annually, the Library of Congress reports on the financial position of the Trust Funds. This annual report for fiscal year 1999 is comprised of four sections:

1. Overview - Background information on the Trust Fund Board and discussion of the financial information
2. Financial Statements - Combined Financial Statements and accompanying notes
3. Supplemental Schedules - Financial information relating to each trust fund
4. Other Supplemental Financial Information - Financial data in graphics.

1. OVERVIEW

The Library of Congress Trust Fund Board

The Library of Congress Trust Fund Board Act of March 3, 1925, as amended (2 U.S.C. 154-163), created the Library of Congress Trust Fund Board, a quasi-corporation with perpetual succession. The Board has the usual powers of trustees, including the authority to:

- ▶ "accept, receive, hold, and administer such gifts, bequests, or devises of property for the benefit of, or in connection with the Library, its collections, or its service, as may be approved by the Board and by the Joint Committee on the Library;"
- ▶ "invest, reinvest, or retain investments" after being receipted for by the Secretary of the Treasury;

- ▶ deposit trust funds "with the Treasurer of the United States as a permanent loan to the United States Treasury, and the Treasurer shall thereafter credit such deposit with interest at a rate which is the higher of the rate of 4 per cent per annum or a rate which is 0.25 percentage points less than a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding long-term marketable obligations of the United States;" and
- ▶ "adopt rules and regulations in regard to its procedure and the conduct of its business."

Public Law 102-246, approved February 18, 1992, expanded the size of the Trust Fund Board from five members to thirteen members. In addition to three ex-officio individuals, Board membership consists of two appointed by the President, four appointed by the House of Representatives, and four appointed by the Senate. As of September 30, 1999, all thirteen Board positions were filled.

A. Ex-Officio Members

The Honorable Ted Stevens, Senator from Alaska, Chairman, Joint Committee on the Library

Mr. Lawrence H. Summers, Secretary of the Treasury
Represented by: Mr. Donald V. Hammond, Fiscal Assistant Secretary, Department of the Treasury

Dr. James H. Billington, Librarian of Congress and Chairman, Library of Congress Trust Fund Board

B. Presidential Appointees

Ms. Patricia Duff (term expires August 2000)
Mrs. Cecille Pulitzer (term expires March 2003)

C. Senate Appointees

Mrs. Adele Hall (term expires June 2000)
Mr. John W. Kluge (term expires March 2003)
Ms. Julie Finley (term expires June 2001)
Mr. Bernard Rapoport (term expires March 2002)

D. House of Representatives Appointees

Mr. Edwin L. Cox (term expires March 2004)
Mr. Wayne L. Berman (term expires December 2001)
Mr. Donald G. Jones (term expires October 2002)

Mr. John Henry (term expires December 2003)

On April 19, 1999, John Henry, of Florida was appointed member of the Library of Congress Trust Fund Board, for a term of 5 years (the preceding appointment had expired on December 21, 1998). On August 4, 1999, Mrs. Cecille Pulitzer, of Missouri was appointed member of the Library of Congress Trust Fund Board, for a term of 5 years (the preceding appointment had expired on March 24, 1998). On September 27, 1999, Edwin Cox, of Texas was appointed member of the Library of Congress Trust Fund Board, for a term of 5 years (the preceding appointment had expired on March 31, 1999).

At the Trust Fund Board meeting on April 14, 1999, the following resolutions were approved:

1. A resolution to ratify the poll votes for the following: (1) establish the Papamarkou Chair in Education Fund; and (2) establish the State Centers for the Book Trust Fund.
2. A resolution to accept the gift of \$100 from Dr. and Mrs. Ted H. Owen and additional contributions totaling over \$10,000 to establish the Blanton Owen Fund for Fieldwork at the Library of Congress to support awards to individuals and organizations for ethnographic field research and documentation and to encourage the addition of the results of such research and documentation to the collections of the Library of Congress.
3. A resolution to establish The Library of Congress 3rd Century Fund with all surcharges received by the Secretary of the U.S. Treasury from the sale of coins issued under the Library of Congress Bicentennial Commemorative Coin Act of 1998, Public Law No. 105--268 and paid by the Secretary to the Library of Congress Trust Fund Board [after the recovery of numismatic operation and program costs and the submission of an audited financial statement to the Secretary of the Treasury as required by 31 U.S.C. '5134(f)]. The fund s purpose is to support Library of Congress bicentennial programs, educational outreach activities (including schools and libraries), and other activities of the Library of Congress.
4. A resolution to accept an initial gift of \$5,280 from Steve Ristow and a pledge of an additional \$45,000 from Steve Ristow on behalf of his father, Walter Ristow (a former employee of the Library of Congress), to establish the *Walter Ristow Fund* at the Library of Congress to support the work of the Geography and Map Division, particularly for fellowships and other educational programs, and to assist in the acquisition of materials for the division s collections, particularly in the area of American cartography.

Investment Policy

At the Board's February 1997 meeting, a resolution was approved to implement and use a total return investment methodology as part of the Board's investment policy for growth and income investments and to adopt an investment policy which provides operational guidance to Trust Fund Board (TFB) members and Library of Congress Staff involved in the management and development of Library of Congress Trust Funds. The overall objectives of the Trust Fund Board's investment policy are to support trust fund activities by: (1) providing flexibility to have either a stable, growing stream of payouts (from income and capital appreciation) for current and future expenditures or, irregular payouts necessary for certain program requirements; (2) providing for the liquidity of investments to make payouts; and (3) maintaining the purchasing power of endowment trust funds. The Library encourages donors to include language in the gift instrument that authorizes the Trust Fund Board to invest the gifts in accordance with the Board's investment policy.

During fiscal year 1999, the Board's investment policy authorized the following three investment pools:

1. Special Issue Non-marketable Treasury Securities (Short-term Income Pool): In accordance with 2 U.S.C. 157, the TFB can invest in special issue non-marketable Treasury bills, notes, bonds, and overnight certificates of deposit. The interest rates for these securities are based upon the actual average market price for the identical marketable Treasury security.
2. Permanent Loan to the U.S. Treasury (Permanent Loan Treasury Pool): In accordance with 2 U.S.C. 158, the TFB can make a loan up to \$10 million to the U.S. Treasury and receive interest on loaned funds at the average rate of the outstanding long-term marketable obligations of the U.S. less 0.25 percentage points (minimum rate of 4 percent). Only the principal amount of a trust fund may be loaned to the U.S. Treasury.
3. Growth and Income Pool (G & I Pool): The TFB can invest in a private investment pool consisting of five mutual funds and one money market fund. The mutual funds recommended by the TFB's investment committee and approved by the TFB as of September 30, 1999 are:
 - ▶ Vanguard Money Market
 - ▶ Vanguard 500 Index
 - ▶ Vanguard Total Stock Index
 - ▶ Fidelity Fifty
 - ▶ Fidelity Stock Selector
 - ▶ Robertson Stephens Funds - The Emerging Growth Fund

Discussion and Analysis of Financial Information

1. Financial Reporting Standards

The Trust Funds Board's financial statements have been prepared to conform with the requirements of Statements of Financial Accounting Standards (SFAS) number 116 and 117. These statements provide for the accounting treatment for contributions and for the form and content of financial statements for not-for-profit organizations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Temporarily restricted net assets result from donor-imposed restrictions that permit the Fund to use or expend the assets after the restriction has been satisfied.

Three exceptions to the standards cited above are as follows: (1) the activity associated with the particular type of net asset is not detailed in the Statement of Activities; (2) the Unrealized Loss on Investment is reported as a component of equity instead of being an element of income or loss; and (3) A Statement of Cash Flows is not presented.

2. Statement of Financial Position

During fiscal year 1999, the Trust Fund Board's assets increased from \$65.9 million to \$67.8 million. The increase is attributed primarily to the increase in the market value of the private sector mutual funds during the fiscal year.

As of September 30, 1999, there were 92 separate Library of Congress Trust funds (including the G. M. Hubbard Fund) with a combined total net assets of \$66.6 million. (There were 16 additional funds maintained for reporting requirements because several Funds have multiple specific purposes.) The Trust Fund Board also received a 50 percent share (\$120,498) of the annual income of the Archer M. Huntington Fund (market value of \$6,874,129) held and managed by the Bank of New York as well as income from a trust established by Leonore (Mrs. Ira) Gershwin (\$771,089 in goods, services and direct contributions during fiscal year 1999).

3. Statement of Activities

The Trust Fund Board's revenues totaled \$10.2 million for fiscal year 1999 including \$7.4 million in new gifts, donations, bequests and grants, \$0.1 million of miscellaneous revenue, and \$2.7 million in investment income.

After subtracting trust fund expenses of \$10.6 million, the operating change was a negative \$0.4 million for fiscal year 1999. An unrealized gain of \$2.4 million was recognized on stock mutual funds held during fiscal year 1999, which increased net assets (after offsetting the operating loss of \$0.4 million) by \$2 million. Total expenses increased 12.1 percent, as compared to fiscal year 1998. Five funds the James Madison National Council, the National Digital Library, the Gershwins, the Whittall, and the McKim accounted for \$9.1 million or 86 percent of all expenses.

Major contributions (including pledges) to the Trust Fund Board during fiscal year 1999 were:

- ▶ James Madison National Council Fund - \$5,164,644
- ▶ Local History and Genealogy (Roll) - \$267,438
- ▶ Papamarkou, H. Chair Education - \$1,175,337
- ▶ State Center for the Book Trust - \$243,615

During fiscal year 1999, the TFB accepted six new trust funds: (1) the Harper-Inglis Memorial Trust, (2) the Edwin L. Cox American Legacy Endowment, (3) the State Center for the Book Trust, (4) The Blanton Owen Endowment, (5) the Walter Ristow Endowment, and (6) the 3rd Century Trust. The Goldman Endowment was closed during fiscal year 1999.

4. Financial Information by Fund

Each trust fund is considered a separate entity and supplemental schedules in Section 3 present the financial position and results of operations for each fund, as well as budgetary fund balance data for restricted, obligated, and available funds.

The Statement of Financial Position by Fund, Schedule A, presents the net assets by Fund, where they are invested and the liabilities for each fund as of the end of the fiscal year 1998. Schedule B presents the restricted and unrestricted status and the amounts obligated and available at the end of fiscal year 1999. Schedule C is a detailed listing of the Funds invested in the permanent loan with the U. S. Treasury at September 30, 1999, and the increases and decreases in the balances during the fiscal year 1999.

The Statement of Activities by Fund, Schedule D, presents the fiscal year 1999 excess revenues over expenses and transfers in detail for each Fund. Schedule E presents the revenues by category for each Fund. Schedule F is the expenses for each Fund.